Avis, Inc. 1973 Annual Report

Avis, Inc.

Winston V. Morrow, Jr.

To Our Shareholders:

The past year presented many difficult and trying problems to your management. I do not recall a year in this company's history which offered so many swift and complicating changes of circumstance. We are pleased that despite all difficulties we managed to continue our record of revenue improvement in every class of service: rent a car, car leasing and truck. However, and of greater importance, profits were well below our expectations.

As we worked to ensure profit improvement in 1973, we also did much forward planning for 1974. Accordingly, we entered the new year with a conservative fleet plan but we also provided for prompt expansion if conditions should improve. While we have been prudent in our forward commitments, we have also tightened the Avis organization. We shall continue our heavy and quite successful emphasis on international business and on our domestic car leasing. At the same time we are taking steps to assure achievement of acceptable levels of profit growth for domestic rent a car and truck.

Planning plays a major part in our business life and it is very unusual for us not to meet our targets for profit growth. While our basic businesses have seasonal aspects and our profit levels are sensitive to fluctuations in the business cycle, we are usually able to effect appropriate and timely adjustments. However, unchecked inflation, artificial restraints on corrective price action caused by government controls and the energy crisis itself combined to put curative action beyond the scope of effective reaction in 1973.

Since domestic rent a car represents so significant a portion of our business it is appropriate to set out the main reasons for its decline in profitability in 1973.

First, we had planned for a strong first half in rent a car volume and it did not materialize. In this period, air travel levels were disappointing, winter resort activity was unexpectedly slow and our vehicle utilization was therefore unsatisfactory.

Second, while we installed the Wizard of Avis real-time management information, reservation and rental system on time in mid-1973, we underestimated the break-in period required to generate substantial savings. We are presently realizing benefits from Wizard in rentals and reservations but the accounting and fleet management savings have not yet occurred to any appreciable degree. The full range of benefits which will flow from the information Wizard can furnish is still unrealized and we now feel it will remain so until 1975.

Third, the zooming cost of gasoline, a series of record-high interest rate escalations and a variety of other cost increases squeezed us badly. Due to Cost of Living Council regulations we were at the same time unable to obtain compensatory rate relief fast enough and in sufficient measure to balance matters.

Another factor which affected the fourth quarter of 1973 and which is affecting the first quarter of 1974 is the psychological impact of the gasoline shortage, particularly on weekends. I say psychological because generally we have had enough gasoline for our cars. We are presently entitled to receive a minimum of 100% of our 1972 domestic consumption levels. If received as promised, this priority allocation, coupled with our own fuel-saving programs, makes us hopeful that we will have a sufficient supply of gasoline. The situation abroad has eased and we do not expect serious problems there. Nevertheless, in the United States there is a definite feeling on the part of drivers that they may be stranded on weekends. The demand for our service during the early part of the business week is now as strong as ever after brief declines in December and early January. However, we cannot cost-justify the fleet needed to meet all of our demand if the overall utilization of vehicles falls below our minimum requirements due to abnormally sharp late week and weekend declines. We are doing our best through a variety of techniques to improve utilization, satisfy our customers and still produce profits for our shareholders. The going will remain difficult until we have a more stable fuel situation and a better understanding of future business conditions.

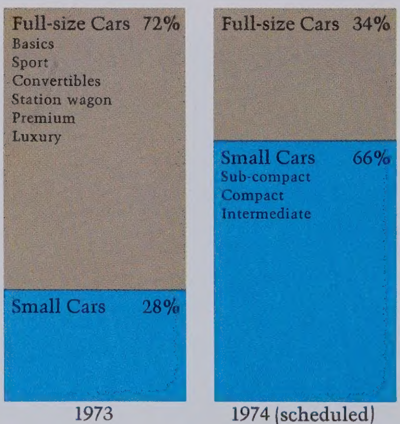
We are increasing the number of smaller cars in our U.S. rent a car fleet to 66% from 28% a year ago. Since smaller cars get more miles per

Financial Highlights
(Thousands except per share figures)

	1973	1972
Revenues	$348,593	$292,063
Net Income	$11,781	$11,008
Net Income Per Common Share	$1.96	$1.83

See Five-Year Statistical Review, page 15.

Growth of Avis Small Car Fleet



gallon, this will help to stretch our gasoline allotment substantially. In view of the current weakness in the used car market, particularly for full-sized vehicles, we have for 1974 extended even further our policy of sheltering most domestic rental cars as to resale exposure by lease or buy-back programs.

For Avis the key factor, of course, is commercial travel. This is by far our largest source of business. A major recession, coupled with a shrinkage of travel, would hurt us. In past periods of business decline, the rent a car industry has not suffered to the same degree as, say, airlines. This is because one man may well travel in place of two or three on a trip but he will still require one car. Also, the ability to adjust our car inventory according to our desired vehicle utilization goals is a downside hedge of considerable importance under such circumstances.

Our major 1973 success story was overseas and especially in Europe. The expanded Common Market spurred intra-European travel and the generally buoyant European economic levels permitted a considerable broadening of our markets. Whatever was lost in American tourism to Europe was more than offset by greatly increased business and vacation travel by Europeans.

We believe we now have the leading rent a car position in Europe, Africa and the Middle East as well as in the Caribbean, Asia and Pacific areas. In early 1974 we announced major moves to expand our car leasing operations in Europe. We have completed two joint ventures for car leasing with major banks in the United Kingdom and France. We expect to achieve a significant position in car leasing throughout Europe in the coming years. In the U.S., we plan to strengthen our car leasing operation in 1974 with new and more flexible financing arrangements. We will also have its administrative procedures largely under computer control by the end of the year. This will permit much greater growth without corresponding increases of overhead in the years ahead.

We continued our efforts to restructure domestic truck operations and in 1973 several unprofitable locations were closed down. We have strengthened our management in that division and we look for improvement in 1974.

In July 1973, we acquired all the remaining stock of our Canadian licensee, Avis Transport of Canada Ltd. Avis now operates the largest rent a car and truck rental businesses and also the largest parking company in Canada. Their results for the full year, if included with our own, would have reduced our overall net income substantially. However, we feel the Canadian business is now coming into its own and that a large enough revenue base and market position has been developed to achieve greatly improved results.

For the employees of Avis and our shareholders, 1974 will be a decisive and historic year. Under a consent decree, International Telephone and Telegraph Corporation must divest its remaining 52% holdings of Avis shares by September 24, 1974. We are confident that Avis will in any event continue its worldwide growth and development in each profit responsibility area. This confidence is founded on the proven performance over many years of our young and aggressive management team. There is also the "We Try Harder" spirit which has characterized so much of our activity over the past decade. It is as vital as ever today. It will remain the cornerstone of our competitive effort in the years to come.

Winston V. Morrow, Jr.
Chairman and President

March 12, 1974

In Dusseldorf and around the world, Avis is ready to accommodate car rental needs for businessmen and tourists.

Glossary

Avis International. That portion of Avis which operates outside the continental United States and Hawaii. International operations include four profit centers. The largest by far is Europe-Africa-Middle East. The others are Canada, Caribbean-Latin America and Asia-Pacific.

Avis System. A worldwide organization of corporate and licensee-owned operations that trade under the name of Avis.

Basic. A standard-size automobile of the Plymouth Fury or Dodge Monaco type.

CDW. The Collision Damage Waiver relieves the renter of all financial responsibility to the Avis car in case of collision or upset. Unless accepted, the renter's responsibility is that amount listed in the Avis Worldwide Directory.

Closed-end Lease. The lessor furnishes the vehicle and assumes the risk of disposal of the vehicle at the end of the lease. (Normally other services are also offered with closed-end leases.)

Dry Rates. A dry rate means the customer pays for all the gasoline consumed during the rental.

First Cycle. Avis disposes of most of its domestic rent a cars on a six-month cycle. The first cycle, September-February, is the first six months of the new model year. In this period about one-third of the Avis cars are at risk. During the second cycle, most cars are obtained by June under leasing or guaranteed buy-back programs.

Full Service Lease. This is typically a closed-end lease where Avis agrees at its own cost and expense, unless otherwise stated in the Lease Agreement, to provide one or more of the following operating services to the customer: (A) maintenance and repairs, (B) road service, (C) oil and lubricants, (D) all tires and (E) washing.

Licensees. Independent operators who conduct car and truck rental business under the Avis name in approximately 480 communities in the United States and more than 1,300 communities overseas.

Open-end Lease. Also called finance lease. The lessor furnishes the vehicle and the lessee assumes the risk of depreciation and all other costs.

PAI. Personal Accident Insurance provides for payment of death benefits and medical expenses up to the amounts listed in the Rental Agreement and is offered to the renter to cover him during the term of his rental and to cover each passenger while in the Avis vehicle.

Presold Rates. Special rates, which normally have free mileage and do not include gas, designed to offer the customer a choice of rates suited to his individual rental needs. Presold rates are selected by the customer at reservation time or at rental time.

Rent A Car. The largest segment of Avis' business, accounting for 74% of revenues in 1973. The other segments: car leasing, approximately 8% of revenues; truck leasing and rental, 17%; parking and other, 1%.

Rental Agent. An Avis rental counter employee who serves our customers by renting and checking in cars, helping the customer select the most appropriate car and rate, providing maps and directions, and assisting customers courteously with their travel needs.

Reservation Sales Agent. An employee at an Avis Reservation Center who provides the most appropriate rate to customers calling on the telephone and places car rental reservations for them.

Risk Units. Those vehicles purchased by Avis which are not covered by a lease or buy-back arrangement, and must be sold by Avis on the open market.

RPU. Revenue per unit, the average monthly revenue generated by each vehicle in the fleet.

Service Agent. An Avis employee who prepares our cars by cleaning, fueling, and completing certain maintenance and safety checks for the renter.

Wet Rates. The cost of gasoline is included in the mileage charge portion of the rental fee. Gasoline purchased by the customer is reimbursed.

Wizard. The Wizard of Avis, a computerized real-time information and reservation system.

Wizard Accounting. Using data contained in Wizard as direct input to the accounting system. Currently Avis is running the southeast part of the U.S. in this manner as a final test; the remainder of the country is still using keypunch data for input.

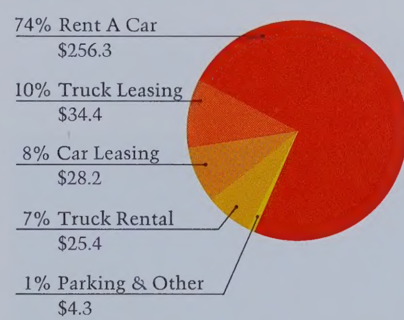
Wizard Number. A major customer service feature of Wizard. By storing all the repetitive customer information such as name, billing address, etc. in the computer memory we are able to pre-print rental contracts before the customer arrives when a Wizard Number reservation is made. All the customer has to give at reservation time is the where and when of the rental and his Wizard Number. All this information can automatically be retrieved and printed on the customer contract through the Wizard terminal.

Avis and Its Industry

Avis, Inc. is the only company primarily concerned with car rentals which has a large amount of its stock publicly owned. It is listed on the New York and Pacific Coast Stock Exchanges and trades under the ticker symbol AVS. The industry in which Avis operates is highly competitive and hence reliable marketing data is not available. Avis has received many inquiries from investors for more information about the industry.

Avis, Inc. rents and leases cars and trucks to the general public through a worldwide system comprised both of corporate-owned operations and licensees. The Avis System operated at December 31, 1973 about 130,000 vehicles. This compares with 117,000 vehicles at the same time in 1972. Avis service is available in 2,800 locations, including more than 1,200 airports in 105 countries.

Revenues by Classes of Service
(Millions of Dollars)



Avis Worldwide

Afghanistan
Algeria
Argentina
Aruba
Australia
Austria
Bahamas
Barbados
Belgium
Bonaire
Brazil
Bulgaria
Canada
Channel Islands
Chile
Colombia
Costa Rica
Curacao
Cyprus
Czechoslovakia
Denmark
Dominican Republic
Ecuador
Ethiopia
Fiji
Finland
France
Germany
Ghana
Gibraltar
Grand Cayman
Greece
Grenada
Guadeloupe
Guam
Guatemala
Haiti
Holland
Honduras
Hong Kong
Hungary
Iran
Ireland
Israel
Italy
Ivory Coast
Jamaica
Japan
Kenya
Lebanon
Liechtenstein
Luxembourg
Malagasy
Malaysia
Malta
Martinique
Mauritius
Mexico
Morocco
Nepal
New Caledonia
New Guinea
New Hebrides
New Zealand
Nicaragua
Nigeria
Norway
Panama
Peru
Philippines
Poland
Portugal
Puerto Rico
Reunion Islands
Rhodesia
Romania
St. Maarten
St. Vincent
Samoa–American
Samoa–Western
Senegal
Seychelles
Singapore
Solomon Islands
South Africa
South Vietnam
Soviet Union
Spain
Sri Lanka
Sweden
Switzerland
Tahiti
Thailand
Tobago
Tonga
Trinidad
Tunisia
Turkey
United Kingdom
United States of America
Uruguay
Venezuela
Virgin Islands
Yugoslavia
Zaire

The Wizard of Avis

The Wizard of Avis, the travel industry's leading computer system, gives Avis a competitive advantage in customer service and management efficiency.

To a customer, the Wizard of Avis is a red terminal unit that types out his rental agreement at high speed. That is only the visible part. The terminals are linked directly to the Avis central computer bank at World Headquarters, Garden City, N.Y., where they operate on a real-time basis. Through counter-top units at rental facilities and cathode-ray tube (CRT) displays (similar to TV sets) at reservation centers, the system provides automated means for handling reservations, check-ins, check-outs, credit reports, vehicle inventory reports, scheduling, maintenance and safety reports.

In addition to performing automatically most of the clerical functions relating to the rental and return of cars, Wizard provides management with many information reports that are necessary for forward planning. It enables us to check, for example, on current and past car movements, mileage and traffic patterns. In all, over 130 transactions are available to the field for the conduct of business; of these 34 are for car control.

Wizard field installations began in the spring of 1972 and in accordance with our plans were virtually complete by mid-1973, with 90% of the domestic system covered. To date, Wizard has proven to be a superior customer service and management information tool. However, major cost savings are yet to come.

Avis has, we believe, a two-year lead over competition with the Wizard. We are determined to maintain this competitive advantage. Wizard was developed over a period of 6 years at a cost in excess of $13 million. More than 300 man years have gone into the development of the software to date. We have planned the program so that our software is compatible with the next generation of computers.

Wizard is a registered trademark in the United States; trademark applications are now pending in several other countries.

Fleet Management

Fleet management is crucial to success in the rent a car business. It involves buying or leasing cars, operating them at maximum efficiency and then turning them back or selling them. It takes careful planning. If we take on too many cars, they sit around unused and cost us money. If we have too few cars, we can't service our customers—they go away disappointed and we lose both revenue and customers. Or, if we buy the wrong kind of cars, customers don't want them, and the used car market reflects the lack of demand. Although there are many levels of sophistication involved in fleet management, it boils down to five steps: planning the fleet, obtaining cars, controlling them, maintaining them and finally disposing of them.

Fleet planning normally occurs four to six months before the cars are manufactured and delivered to the rent a car locations. The size of the fleet is determined by economic projections, analysis of advance reservations, expectations of the travel industry and projected airline passenger enplanements. During the course of a fleet cycle, these projections are reduced to a 30 and 60 day time frame and fleet size adjustments are made. The disposal of excess fleet is a normal function and an integral part of operations within the company.

In the U.S. and Canada, Avis acquires its rental cars three ways: 1) it leases from Chrysler Leasing Corporation; 2) it enters into purchase and buy-back agreements with dealers; and 3) it purchases vehicles outright. Outside of North America, we obtain vehicles mainly through the second and third means of acquisition listed above.

Controlling the fleet means having the cars in the right place (where the customers are), at the right time. It also means keeping track of each car's mileage and having it serviced at proper intervals. It may mean taking a car out of the fleet so it can be returned under a lease or buy-back program. Our capability for fleet control has been greatly advanced by our computerized real-time information, rental and reservations system, the Wizard of Avis.

Proper maintenance, another key to profitable fleet management, depends on access to efficient servicing facilities. The quicker a vehicle is run through a service check, or returns from a body shop, the more revenue it can earn. Avis owns and operates extensive service facilities at major airports and cities throughout the United States, Canada, Europe and the rest of the world. Currently our service garages are laying stress on steps that save gas, including engine tune-ups and—of great importance—proper tire inflation. (An under-inflated tire and improper wheel alignment can cost as much as a mile per gallon.)

A "Quality Improvement Program" includes preventive maintenance in the Miami, Florida service facility.

Helpful advice and a reliable car await Avis customers in Mexico City and in 2,800 locations around the world.

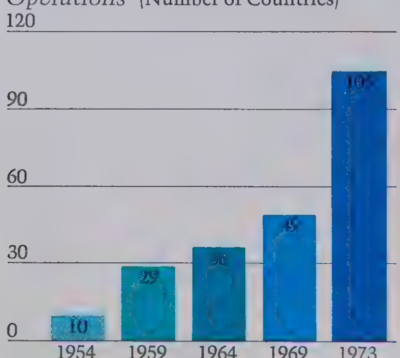
Customers of Avis

The U.S. rent a car industry does an estimated $1 billion of annual business. There are 5 million users who rent a car once or more a year. In Europe there are about 2 million additional users. And of this entire group of approximately 7 million, less than a fourth are high frequency users—people who rent three or more times a year.

The Avis marketing goal is to reach high frequency users and encourage them to use Wizard Number Cards. The Wizard Number is an exceptional tool for providing customer service, both by efficient handling of reservations and by providing the fastest possible service at the rental counter. Our experience is that once a customer has tried Wizard, he often becomes a repeat Avis customer.

Since so much of our revenue comes from business travelers, our convenient locations in or near the more than 1,200 airports around the world are an invaluable marketing tool. Approximately 75% of all Avis users travel by air, and in the United States and Canada 6 out of 10 rent cars directly at airport sites.

Growth of Avis International Operations (Number of Countries)



Avis International

An important key to the strength and potential of Avis is its international business. Avis is the leader in most important international markets. In 1973, non-U.S. revenues were 27% of the Avis total, up from 21% in 1972.

The success abroad is impressive because Avis didn't really get moving outside the United States until 1965. Avis embarked on a corporate program to acquire licensees or start operations from scratch in European countries. Today Avis is 100% owner of its subsidiary companies in Austria, Channel Islands, Denmark, France, Federal Republic of

Germany, Ireland, Italy, Luxembourg, Norway, Spain, Sweden, Switzerland, United Kingdom and holds partial ownership in Belgium, Holland and Portugal. There are a number of licensee cities in many of the European countries but most major cities are company operated. Avis owns separate companies in Mexico and Guatemala. In 1969, Avis launched a program of jointly-owned operations in Africa and in 1970 moved into Asia and the South Pacific through both joint ventures and licensees. In 1972, Avis joined with Mitsubishi to launch rent a car operations in Japan and subsequently Avis has expanded into several other Asian countries. Avis has also become the leading car rental company in the Caribbean.

In charting its early growth in Europe, Avis made two key decisions. First, it would primarily attract the European traveling businessman. Today the great majority of people who rent cars from Avis in Europe are European residents. This percentage is growing as the enlarged Common Market spurs additional intra-European travel. The second key decision was to lay the groundwork for an extensive European network of service facilities. Looking ahead, Avis bought land adjacent to most major airports in Europe. On-airport sites are usually available in the U.S. but in Europe they are generally not available. Now Avis has over 40 service centers completed or under construction at or near European airports. At these centers, we provide full maintenance and servicing, body repair, painting, do warranty work and take other steps to keep our cars well maintained and in operation. No other rent a car company comes close to having our level of maintenance facilities in Europe. The same program has been extended to other areas of the world.

New Hebrides, South Pacific. Avis provides outstanding service in 105 countries.

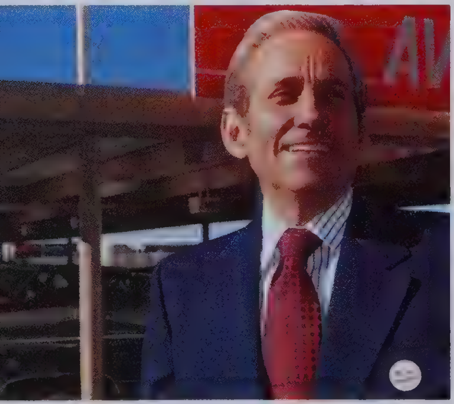
Avis in Canada

With the July 1973 acquisition of Avis Transport of Canada Ltd. for approximately $3,000,000 in cash, Avis became 100% owner of Canada's largest rent a car company (it had previously owned 23.7%). Avis Transport operates car and truck rental and leasing throughout Canada. There is a good deal of commonality between the U.S. and Canadian systems, with a large volume of reservations going back and forth. The Canadian operation, however, is much more seasonal with most of its earnings coming in the third quarter of the year.

As part of the Canadian acquisition, Avis gained an entry into the parking business. A wholly-owned Avis Transport subsidiary, Canpark Services, Ltd., is the country's largest operator of parking garages doing business under the name "Canadawide." The management of this fast-growing unit is expected to assist Avis in developing parking programs in the U.S. and Europe.

With acquisition of its Canadian licensee, Avis is the largest operator of parking garages in Canada.

W. E. "Buck" Elton, Licensee for Albuquerque, N.M. and Amarillo, Texas, emphasizes personalized customer attention.

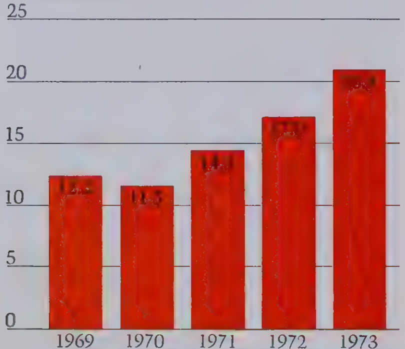


Our Licensees

In 1973, licensees accounted for 29% of the total Avis System rent a car activity in the United States and 42% elsewhere. In the United States, Canada, the Caribbean, Mexico and Western Europe, a majority of the Avis System business is conducted through company-owned operations. Elsewhere, most business is done by licensees, although in a number of areas Avis holds substantial interests. By extending Avis services to a broad segment of the international car-renting public, licensees have made a major contribution to the rapid growth of the overall system.

In return for conducting business under the Avis name in the United States, licensees contribute an annual fee, most of which goes for advertising purposes. The three largest Avis licensees in the U.S. together account for some 43% of the business done by domestic licensees. They operate primarily in the Los Angeles, Boston and Dallas markets.

U.S. Car Leasing Fleet
(Thousand of Vehicles)



Car Leasing

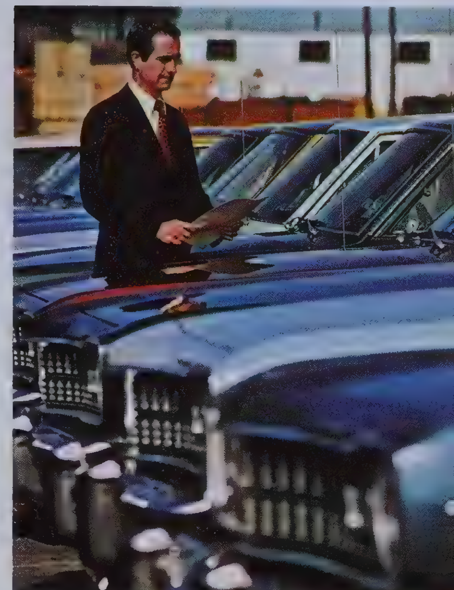
Car leasing is a promising area of growth. The domestic market has been expanding at an annual rate of 10-15% for the last 10 years. The market is divided into two segments: companies which do "wholesale" fleet leasing—an area which is quite well developed—and the smaller-scale, "retail" leasing, usually to an individual or company requiring one to ten cars. Either market can have open or closed-end leases. Avis is very well-established in both segments and will give special emphasis to the retail segment by expanding into new market areas where we believe our name and reputation for service give us meaningful advantages.

The U.S. car leasing fleet grew to 20,750 vehicles last year, compared to 16,950 in 1972. About 57% of the cars contracted from Avis are under full service leases. There, the lessor pays for or provides maintenance, tires, vehicle licenses, lubricants and servicing, but does

not garage or supply fuel. Upon termination of the lease, the vehicle is returned to Avis, which must dispose of it. Under an open-end lease, a variety of fleet management services can be rendered by Avis if the contract calls for it. However, the customer takes the complete risk that his reserve for depreciation will cover the actual depreciation when the used vehicle is sold at the end of the lease. Most car leases run 24 months.

Three developments will greatly strengthen our position in car leasing. We are moving towards the completion of a new, computerized data system that will provide the basis for much greater growth without corresponding increases in administrative costs. Avis is also working to complete the groundwork for broad-based financing arrangements necessary for any extensive growth of its leasing business. In the U.S., We Try Harder, Inc. (WTH), a wholly-owned leasing subsidiary was established. It will enable us to be competitive with most other leasing companies in terms of lines of credit with a much higher leverage factor than is presently available to us for the rent a car business. All domestic passenger car leasing should be transferred over to WTH by the end of 1975. Finally, in Europe, Avis has negotiated joint ventures with two large financial institutions for the purpose of developing the car leasing markets in the United Kingdom and France.

Avis continues to expand its car leasing operations significantly both in the U.S. and overseas.



Truck Rental and Leasing

Avis rents and leases trucks, primarily in the United States but also in certain foreign countries. Profitability in the U.S. has fluctuated considerably over the past few years, and contribution to income so far has been small. In all, Avis and its licensees operated a U.S., Canadian and European fleet of 9,845 trucks for daily rental during 1973. The leased fleet totaled 7,769 vehicles.

Truck rentals are on a daily basis, with charges computed in the same way as those for rental cars. Rental trucks are usually kept in operation for three years or more. Rental customers range from business concerns which rent to meet occasional needs or supplement their own fleets in peak seasons to individuals doing their own moving. Truck leases run typically from 36 to 60 months. Avis provides full servicing, usually including fuel and oil. We equip and paint leased vehicles to the customers' requirements.

Avis uses sophisticated equipment for truck maintenance. This dynamometer in St. Louis, Mo. makes 25 tests in half an hour.

Financial Review

Net sales rose $56,530,000 in 1973, advancing from $292,063,000 to $348,593,000. Net income for 1973 totaled $11,781,000, up 7% over $11,008,000 in 1972. 1973 net income results were benefited by currency revaluation gains and non-recurring adjustments to reserves for U.S. and foreign taxes, aggregating $1,136,000. 1973 results also include revenues of $15,504,000 and net income of $180,000 from our Canadian acquisition for the last six months of 1973.

During the last five years, Avis, Inc. and subsidiaries has established a 15% compounded annual growth rate in revenue and an 18% growth in net income.

Advertising and promotional expenditures for Avis, Inc. and subsidiaries worldwide amounted to $13,321,000 in 1973, compared with $11,514,000 in 1972.

The U.S. investment tax credit amounted to $1,293,000 in 1973 and $1,266,000 in 1972.

The Average Company Fleet by Class of Service

	1973	1972
Rent A Car	62,727	53,814
Car Leasing	22,302	16,124
Truck Rental	4,925	4,055
Truck Leasing	6,099	5,549
Total	96,053	79,542

The effect of seasonal patterns on quarterly revenues and earnings is shown in the table that follows. With rent a car activity accounting for a major part of total Company revenues, results in its operations particularly account for seasonal fluctuations.

Revenues and Net Income by Quarter

(Thousands of Dollars)

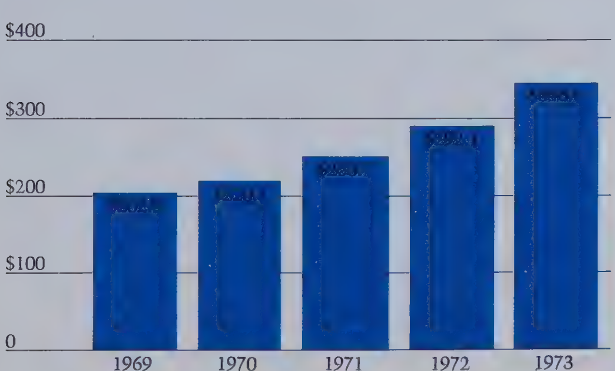
1973	1st	2nd	3rd	4th	Total
Revenues	$72,919	$84,789	$103,409	$87,476	$348,593
Percent of Year's Total	20.9	24.3	29.7	25.1	100.0
Net Income	$ 2,004	$ 3,152	$ 5,966	$ 659	$ 11,781
Percent of Year's Total	17.0	26.8	50.6	5.6	100.0
1972					
Revenues	$63,670	$73,969	$ 83,438	$70,986	$292,063
Percent of Year's Total	21.8	25.3	28.6	24.3	100.0
Net Income	$ 1,073	$ 2,787	$ 5,155	$ 1,993	$ 11,008
Percent of Year's Total	9.8	25.3	46.8	18.1	100.0
1971					
Revenues	$55,491	$61,959	$ 71,274	$61,980	$250,704
Percent of Year's Total	22.1	24.7	28.5	24.7	100.0
Net Income	$ 502	$ 2,254	$ 3,915	$ 1,535	$ 8,206
Percent of Year's Total	6.1	27.5	47.7	18.7	100.0
Three-Year Average Percent of Year's Total					
Revenues	21.5	24.8	29.0	24.7	100.0
Net Income	11.6	26.4	48.5	13.5	100.0

Five-Year Statistical Review

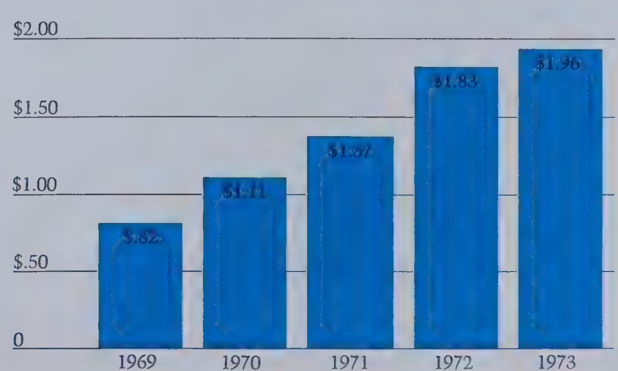
	1973	1972	1971	1970	1969
	(Dollar Amounts in Thousands Except for Per Share Figures)				
Results for the Year					
Revenues	$348,593	$292,063	$250,704	$220,093	$201,979
Income before Federal and Foreign Income Taxes	$ 18,931	$ 19,248	$ 14,486	$ 13,001	$ 10,149
Net Income	$ 11,781	$ 11,008	$ 8,206	$ 6,650	$ 4,919
Per Common Share*	$ 1.96	$ 1.83	$ 1.37	$ 1.11	$ .82
Return on Average Stockholders' Equity	18.1%	19.7%	16.8%	15.1%	12.4%
Year-End Position					
Vehicles, at cost less accumulated depreciation	$205,850	$168,898	$147,960	$113,597	$119,439
Total Assets	$426,060	$330,977	$274,455	$217,739	$213,673
Debt, including Vehicle Obligations	$246,397	$175,969	$156,046	$112,993	$128,151
Stockholders' Equity	$ 69,801	$ 60,420	$ 51,512	$ 46,431	$ 41,589
Per Common Share*	$ 11.63	$ 10.07	$ 8.59	$ 7.74	$ 6.93

*Based on 6,000,000 shares.

Revenues (Millions of Dollars)



Net Income Per Common Share



Statements of Consolidated Income and Retained Earnings

Years Ended December 31	1973	1972
	(Thousands of Dollars)	
Income		
Revenues	$348,593	$292,063
Expenses:		
Direct operating	181,779	149,264
Depreciation and rental of revenue producing vehicles	84,435	73,256
Selling, general and administrative	44,785	39,773
Interest	18,663	10,522
	329,662	272,815
Income before Federal and Foreign Income Taxes	18,931	19,248
Federal and Foreign Income Taxes	7,150	8,240
Net Income	$ 11,781	$ 11,008
Net Income Per Common Share	$1.96	$1.83
Retained Earnings		
Balance—Beginning of Year	$ 28,833	$ 19,925
Add—Net Income	11,781	11,008
Deduct—Dividends	2,400	2,100
Balance—End of Year	$ 38,214	$ 28,833

The accompanying notes to financial statements are an integral part of these statements.

Consolidated Balance Sheets

As of December 31	1973	1972
	(Thousands of Dollars)	
Assets		
Cash	$ 32,333	$ 18,783
Accounts Receivable, less allowances of $6,849,000 and $5,777,000 for doubtful accounts	69,150	59,100
Finance Lease Receivables	31,240	18,019
Prepaid Expenses	10,437	7,491
Vehicles, at cost less accumulated depreciation	205,850	168,898
Property and Equipment, at cost less accumulated depreciation and amortization	41,132	29,897
Intangibles	15,005	11,453
Deferred Charges	13,569	14,412
Other Assets	7,344	2,924
Total Assets	$426,060	$330,977
Liabilities and Stockholders' Equity		
Accounts Payable	$ 28,245	$ 24,561
Accrued Liabilities	26,046	21,246
Federal and Foreign Income Taxes	6,667	3,708
Vehicle Obligations and Other Debt	246,397	175,969
Self-Insurance Reserve	19,606	17,531
Deferred Income Taxes	29,298	27,542
Total Liabilities	356,259	270,557
Stockholders' Equity:		
Common Stock, $1 par value, authorized 12,000,000 shares, outstanding 6,000,000 shares	6,000	6,000
Capital Surplus	25,587	25,587
Retained Earnings	38,214	28,833
Total Stockholders' Equity	69,801	60,420
Total Liabilities and Stockholders' Equity	$426,060	$330,977

The accompanying notes to financial statements are an integral part of these statements.

Statements of Consolidated Source and Application of Funds

Years Ended December 31		1973	1972
			(Thousands of Dollars)
Source of Funds			
Net Income		$ 11,781	$11,008
Add—Expenses Not Requiring Outlay of Cash:			
Depreciation and amortization (excluding daily rental cars)		30,783	26,106
Deferred income taxes and other		3,130	10,678
Cash Provided from Operations		45,694	47,792
Increase (Decrease) in Vehicle Obligations and Other Debt		41,421	(7,077)
Sale of 9% Senior Subordinated Notes		—	27,000
Disposal of Trucks and Lease Cars		17,569	15,003
Increase in Federal and Foreign Income Taxes		2,925	651
Increase in Self-Insurance Reserve		2,075	1,573
Increase in Accounts Payable and Accrued Liabilities		2,047	16,757
		$111,731	$101,699
Application of Funds			
Purchase of Trucks and Lease Cars		$ 52,297	$ 40,008
Additions to Daily Rental Cars, net of depreciation and retirements		13,053	19,661
Purchase of Property and Equipment		10,918	9,597
Increase in Finance Lease Receivables		6,627	6,146
Increase in Accounts Receivable		5,621	15,047
Increase (Decrease) in Prepaid Expenses and Other Assets		3,452	(180)
Acquisition of Avis Transport of Canada Ltd.:			
Net book value of vehicles acquired	$16,764		
Other net tangible assets acquired, excluding cash	12,244		
Less: Vehicle obligations and other debt assumed	(29,007)		
Excess of cost over tangible net assets acquired	2,924		
Net Cash Outlay	$ 2,925	2,925	—
Dividends		2,400	2,100
Increase in Intangibles		861	1,568
Increase in Deferred Charges		27	5,680
Acquisition of Minority Equity in Subsidiary		—	2,146
Increase (Decrease) in Cash		13,550	(74)
		$111,731	$101,699

The accompanying notes to financial statements are an integral part of these statements.

Notes to Financial Statements

Accounting Policies

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Inter-company accounts and transactions have been eliminated.

Net assets included in the consolidated financial statements attributable to foreign operations are translated into terms of U.S. dollars generally at the applicable rates of exchange in effect at the balance sheet date, except for property and equipment and intangibles, which are translated at historical rates of exchange. The income statements, with the exception of depreciation and amortization of intangibles have been translated at the average rates of exchange prevailing during the periods. Gains and losses from translation and forward exchange contracts are reflected currently in net income and amounted to a net gain of $321,000 in 1973 and a net loss of $205,000 in 1972.

Depreciation: Depreciation is provided on a straight-line basis over the estimated useful lives of vehicles, property and equipment. The rates generally used in computing depreciation during the periods are 27% for lease cars, 12½-25% for trucks, 20-40% for daily rental cars, 3⅓-6⅔% for buildings and 10-20% for furniture, equipment and signs. Leasehold improvements are amortized over the lives of the respective leases but not exceeding the useful lives of the assets.

Intangibles: Intangibles represent the unamortized excess of cost over tangible net assets of businesses acquired. The Company follows the policy of amortizing those intangibles with limited periods of existence over their respective lives and those having indeterminate lives, acquired since October 31, 1970, over 40 years. Intangibles amounting to $6,684,000 acquired prior to October 31, 1970 are not being amortized because, in the opinion of management, there has been no diminution in value.

Deferred Charges: The Company has developed an on-line real-time computer system, called the Wizard System, for use in its domestic daily car rental business. Total development costs of $13,235,000 have been incurred and are included in deferred charges, net of amortization. The development costs are being amortized over a 12 year period commencing January 1, 1973. Amortization for 1973 amounted to $1,102,000.

Leasing Operations: Income from closed-end leasing activities is recognized under the operating method. Aggregate rentals are reported as revenue over the life of the lease, and expenses are charged against such revenue as incurred. The Company's open-end (finance) leases are recorded in accordance with the finance method of accounting for leases. All future lease payments and the residual value of the respective vehicles are included in finance lease receivables, net of deferred income of $4,065,000 and $2,044,000 as of December 31, 1973 and 1972, respectively. Income is recognized during the term of these leases in decreasing amounts related to the outstanding receivable balances.

Canadian Acquisition

On July 1, 1973 the Company purchased the remaining 76.3% of the outstanding stock of Avis Transport of Canada Ltd. (ATCL) not already owned for approximately $3,000,000 in cash. This acquisition has been accounted for as a purchase and accordingly, the accompanying financial statements include the operations of ATCL since the date of acquisition. The excess of the purchase price over amounts assigned to tangible net assets acquired of $2,924,000 has been included in intangibles in the accompanying consolidated balance sheet. It is estimated that approximately $2,500,000 of this amount is recoverable through the utilization of pre-acquisition future tax benefits including $153,000 realized in 1973 and applied as a reduction of intangibles. The remaining balance is being amortized over a forty year period.

The following tabulation reflects the combined operating results of the Company and ATCL for 1973 and 1972 on a pro-forma (unaudited) basis assuming the acquisition had taken place on January 1, 1972 and after applying pro-forma adjustments for imputed interest expense on the purchase price.

	1973	1972
	(Thousands of Dollars)	
Revenues	$359,570	$313,124
Net Income	$ 10,497	$ 9,335
Net Income Per Common Share	$ 1.75	$ 1.56

Foreign Operations

Revenues and net income attributable to foreign operations (including ATCL from July 1, 1973) included in the statements of consolidated income are as follows:

	1973	1972
	(Thousands of Dollars)	
Revenues	$95,052	$61,177
Net Income	$ 6,389	$ 2,103

The net assets relating to these operations included in the consolidated balance sheets as of December 31, 1973 and 1972 are $33,162,000 and $21,652,000, respectively.

Vehicles and Property and Equipment

The balances by major classes of vehicles and property and equipment as of December 31, 1973 and 1972 are as follows:

	1973	1972
	(Thousands of Dollars)	
Vehicles:		
Rent A Car	$126,810	$101,915
Lease Car	53,255	41,652
Truck	91,450	75,671
	271,515	219,238
Less—accumulated depreciation	65,665	50,340
	$205,850	$168,898
Property and Equipment:		
Land	$ 4,642	$ 2,049
Buildings	6,842	3,200
Leasehold improvements	31,284	25,120
Furniture, equipment and signs	14,758	11,303
	57,526	41,672
Less—accumulated depreciation and amortization	16,394	11,775
	$ 41,132	$ 29,897

Rent A Car vehicles are generally sold or traded in within a year. In addition to owned vehicles, the Company operates a substantial number of vehicles leased from car manufacturers on a short-term basis.

Depreciation and rental of revenue producing vehicles includes depreciation of Company-owned vehicles (net of gains on sale of such vehicles and other allowances) and rental costs incurred for vehicles leased on a short-term basis from car manufacturers as follows:

	1973	1972
	(Thousands of Dollars)	
Depreciation of vehicles	$ 61,205	$ 48,697
Gains on sale and other allowances	6,463	3,571
	54,742	45,126
Rental of vehicles	29,693	28,130
	$ 84,435	$ 73,256

Income Taxes

The provision for income taxes exceeded income taxes currently payable as a result of the following timing differences:

	1973		1972	
	(Thousands of Dollars)			
	Federal	Foreign	Federal	Foreign
Excess of tax over book depreciation as a result of using accelerated depreciation methods for tax purposes	$ 1,267	$ 1,517	$ 4,058	$ 548
Difference between book and tax recording of deferred charges	(611)	—	2,782	—
Timing effects of investment tax credit	(444)	—	899	—
Self-insurance and vehicle damage reserves accrued for book purposes but not deductible for tax purposes until paid	(432)	—	(992)	—
Other, net	543	7	112	—
	$ 323	$ 1,524	$ 6,859	$ 548

The following table is a reconciliation of the provision for income taxes included in net income and the amount computed by applying the Federal statutory rate to income before income taxes:

	1973		1972	
	(Thousands of Dollars)			
	Amount	%	Amount	%
Taxes computed at statutory rate	$9,087	48.0%	$9,239	48.0%
Increases (reductions) resulting from:				
Investment tax credit	(1,293)	(6.8)	(1,266)	(6.6)
Foreign income subject to foreign income tax of less than 48%	(340)	(1.8)	(57)	(0.3)
Adjustment of foreign tax reserve	(350)	(1.8)	—	—
Other, net	46	0.2	324	1.7
	$7,150	37.8%	$8,240	42.8%

The consolidated provision for income taxes includes foreign income taxes of $4,323,000 in 1973 and $2,487,000 in 1972.

It is the policy of the Company to accrue appropriate U.S. and foreign income taxes on earnings of subsidiary companies which are intended to be remitted to the parent company. Unremitted earnings of subsidiaries which have been permanently reinvested, aggregated approximately $11,700,000 as of December 31, 1973 and if remitted currently, would have resulted in additional taxes approximating $1,000,000.

Vehicle Obligations and Other Debt

Vehicle obligations and other debt as of December 31, 1973 and 1972 consist of the following:

	1973	1972
	(Thousands of Dollars)	
Loans payable under revolving credit agreement	$118,000	$ 85,500
Commercial paper at 10.0% and 5.6%, average rates, (to be refinanced by issuance of additional commercial paper or through borrowings under revolving credit agreement)	29,869	29,998
9% Senior Subordinated Notes	27,000	27,000
Loans payable in foreign currencies at 10.3% and 8.0%, average rates, including $35,055,000 and $18,599,000 due within one year	51,959	19,102
Notes payable under vehicle financing agreements at 7.3% and 5.7%, average rates	9,208	8,603
Other notes and loans payable at 10.0% and 6.4%, average rates, including $4,609,000 and $1,483,000 due within one year	10,361	5,766
	$246,397	$175,969

The revolving credit agreement, which expires on June 1, 1976, provides that the Company and certain subsidiaries may borrow up to $180,000,000, primarily for use in domestic operations, but not in excess of the net book value of vehicles owned by such companies, less the amount of commercial paper outstanding (which may not exceed $40,000,000) and less the amount of loans or deferred payments outstanding with vehicle manufacturers (none presently outstanding). Interest is payable at ¼ of 1% above the prime rate unless the amount outstanding is less than $91,000,000 ($100,000,000 after June 1, 1974), in which case interest is payable at the prime rate (9¾% as of December 31, 1973). In addition, a commitment fee of ½ of 1% is payable on the unborrowed balance.

In May 1972, the Company issued $27,000,000 of 15 year 9% Senior Subordinated Notes due March 1, 1987. Quarterly payments of $675,000 on these notes commence June 1, 1977.

The Company's open-end (finance) leasing subsidiary's notes payable under vehicle financing agreements are due in installments approximating reductions in the related finance lease receivables. The subsidiary's lease receivables and related vehicles being financed have been assigned as security for these loans.

The maximum and average amounts of commercial paper and short-term borrowings outstanding during 1973 and the weighted average interest rates based on month-end balances are as follows:

	Maximum Outstanding	Average Outstanding	Weighted Average Interest Rate
	(Thousands of Dollars)		
Commercial paper	$30,000	$29,044	8.5%
Short-term borrowings	62,686	36,996	9.3

As of December 31, 1973 the Company had approximately $28,500,000 of unused lines of credit for short-term borrowings.

Under the Company's revolving credit borrowing arrangements and certain notes and loans payable, unrestricted compensating balances of approximately 15% of the average loan balances outstanding are generally maintained with the lending institutions. At December 31, 1973 approximately $22,000,000 of cash included in the accompanying balance sheet was supporting these borrowings.

Pension Plans

Substantially all salaried and hourly non-union employees in the United States are covered by noncontributory pension plans. In addition, certain employees in the United Kingdom and Canada are covered by contributory pension plans of subsidiaries. Total pension expense for the years ended December 31, 1973 and 1972, was $743,000 and $471,000, respectively.

In 1973 the Company adopted the policy of providing interest on unfunded prior service costs which in previous years were amortized over a 40 year period. This change, and changes made during the year in the actuarial cost method and assumptions used in computing pension costs had the effect of increasing pension expense for 1973 by approximately $100,000. The Company follows the policy of funding pension costs accrued.

Capital Stock

In May 1972, the Company's Certificate of Incorporation was amended to increase the authorized common shares from 1,000 to 12,000,000 and to redesignate such shares as $1 par value. Simultaneously, the 1,000 shares outstanding were increased to 6,000,000 shares by a stock split.

In addition, the amended Certificate of Incorporation authorizes 2,000,000 shares of preferred stock, without par value, issuable in series. As of December 31, 1973, no such shares had been issued.

Stock Options

In May 1972, the Company adopted substitute stock option and stock purchase plans. Under such plans, at the time ITT divests itself of more than 50% of its stock interest in the Company, employees of the Company who have been granted options to purchase ITT Common Stock, and which options remain unexercised at the 50% divestiture point, or who then hold "restricted shares" of ITT Common Stock, will be granted substitute options to purchase shares of the Company's Common Stock. As of December 31, 1973 ITT has divested itself of 48% of its stock interest in the Company. The exact number of shares which will be subject to options and the option prices thereof will depend upon the relative fair market values of ITT Common Stock and the Company's Common Stock at the 50% divestiture point and therefore cannot be determined until such time. In connection with the substitute stock purchase plan, the Company will charge income to the extent that the fair market value on the date of the grant exceeds the option price.

In addition to the plans described above, the Company has also adopted an Unqualified Stock Option Plan, under which certain employees may be granted options, on or after the 50% divestiture point, to purchase up to 150,000 shares of the Company's Common Stock. The options, when granted, will be exercisable at not less than 100% of the fair market value of the Company's Common Stock at the time of the grant.

Retained Earnings

The provisions of the Company's loan agreements require the maintenance of minimum working capital, tangible net worth, as defined, and certain financial ratios. Such loan agreements also prohibit the Company from paying dividends, making other distributions on its equity securities, incurring additional liability under guarantees and making certain investments, in excess of prescribed amounts. As of December 31, 1973, approximately $1,455,000 was available for the payment of dividends under the most restrictive requirements of such loan agreements.

Contingencies

The Company is contingently liable, with respect to various claims, lawsuits, guarantees, and other matters. On September 27, 1973 the Company received a favorable court decision regarding a claim by the Internal Revenue Service alleging primarily a failure to withhold Federal income taxes and social security taxes from compensation paid to individuals known as "car shuttlers" in the years 1962 to 1966. As a result of this decision a non-recurring credit of $465,000 is included in consolidated net income for 1973. The government has appealed this decision and an adverse determination of the issues in this matter would probably result in additional liability for similar matters for the years subsequent to 1966. In the opinion of management, based upon the opinions of trial counsel, the appeal will not succeed and the ultimate liability with respect to the contingencies mentioned above will not be material in relation to the consolidated financial position of the Company.

On March 7, 1974, the Securities and Exchange Commission (the "Commission") filed suit against the Company and certain other non-related parties. The Commission's complaint alleges that the Company's reports to shareholders and to the Commission for the quarterly period ended March 31, 1973, were false and misleading in that the Company omitted from such reports a specific statement that a substantial part of its earnings before taxes and extraordinary item was realized from sales of vehicles. The complaint also alleges that this fact constitutes a material reversal of the source of earnings reported for the previous year's first quarter. The suit charges that the information was later disclosed to a small group of securities analysts, some of whom then acted upon the information by trading in the Company's common stock to their benefit or advising others to do so. Alleging that such acts by the Company and other defendants were in violation of the securities laws, the suit seeks to

enjoin the parties from further violations of the securities laws and asks such further relief as may be deemed appropriate. In the opinion of the Company's counsel, based on facts known to them prior to commencement of discovery in the action, the Company should be successful in defense of this action and any related action which may be commenced based upon the same allegations.

Commitments

The Company has long-term lease commitments as of December 31, 1973 expiring at various dates which require minimum rental payments, as follows:

Minimum Lease Commitments

(Thousands of Dollars)

Period	Total	Sublease Rentals	Financing Leases	Non-Financing Leases
1974	$ 15,615	$(296)	$ 6,005	$9,906
1975	13,275	(232)	5,495	8,012
1976	11,893	(173)	5,287	6,779
1977	9,345	(144)	5,224	4,265
1978	8,614	(58)	5,119	3,553
1979-1983	32,055	(260)	24,566	7,749
1984-1988	21,872	(141)	17,933	4,080
1989-1993	14,396	—	12,624	1,772
Remaining Years	14,866	—	13,626	1,240
	$141,931	$(1,304)	$95,879	$47,356

The total commitments are for the following classes of property:

Land and Buildings	$123,128,000
Furniture, Equipment and Signs	4,943,000
Wizard Terminals	13,860,000
	$141,931,000

The Company's rental expense, excluding rental costs incurred for vehicles leased on a short-term basis from car manufacturers, for the years 1973 and 1972 are as follows:

		Minimum Rental Expense			Contingent Rentals Based On Revenues
	Total	Sublease Rentals	Financing Leases	Non-Financing Leases	
	(Thousands of Dollars)				
1973	$28,964	$(282)	$5,407	$13,988	$9,851
1972	22,090	(225)	4,217	10,064	8,034

A financing lease is a lease which, during the noncancelable period, either covers 75% or more of the economic life of the property or has terms which at the inception of the lease assure the lessor a full recovery of his investment, plus a reasonable return on the use of the asset. The present value of these financing leases at December 31, 1973 and 1972 and the impact on consolidated net income for the years 1973 and 1972 had such leases been capitalized and amortized over the life of the lease with interest provided on the outstanding lease commitment are as follows:

Present Value of Minimum Financing Lease Commitments

	1973	1972
	(Thousands of Dollars)	
Land and Buildings	$33,553	$32,377
Furniture, Equipment and Signs	3,943	4,624
Wizard Terminals	9,125	8,881
Total	$46,621	$45,882

The weighted average interest rate based on present values was 8.1%. The range of interest rates for financing lease commitments was 5.3% to 10.0%.

Impact of Lease Capitalization on Net Income

Year	Consolidated Net Income Increase (Decrease)	Amortization	Interest
	(Thousands of Dollars)		
1973	$(477)	$3,083	$3,241
1972	(356)	2,415	2,487

Auditors' Report

To the Stockholders and the
Board of Directors of Avis, Inc.:

We have examined the consolidated balance sheets of Avis, Inc. (a Delaware corporation and a majority-owned subsidiary of International Telephone and Telegraph Corporation) and subsidiaries as of December 31, 1973 and 1972, and the related statements of consolidated income, retained earnings and source and application of funds for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Avis, Inc. and subsidiaries as of December 31, 1973 and 1972, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

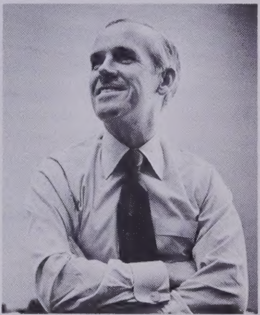
ARTHUR ANDERSEN & CO.

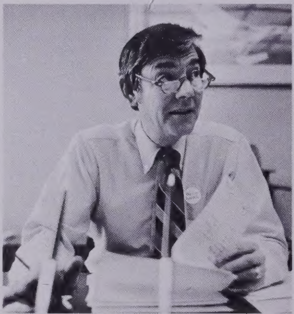
New York, N.Y.,
March 12, 1974.

Corporate Management

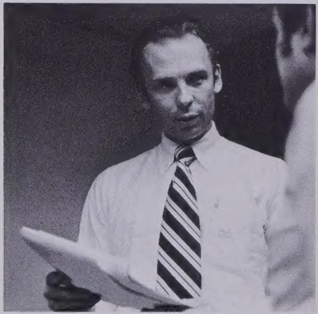

Colin M. Marshall, *Executive Vice President, Age—40*


William C. McPike, *Senior Vice President—Administration, Age—49*

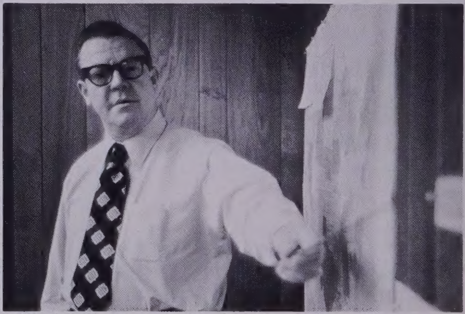

Edgar J. Dame, Jr., *Senior Vice President and General Manager —Car Leasing U.S.A., Age—46*


Richard J. Knight, *Senior Vice President and General Manager—Truck U.S.A., Age—49*

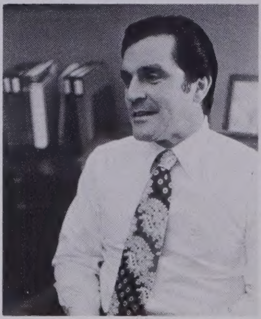

Joseph V. Vittoria, *Senior Vice President and General Manager—Europe Africa Middle East, Age—38*

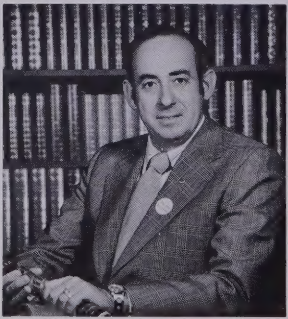

Peter Prestegaard, *Vice President—Finance, Age—32*

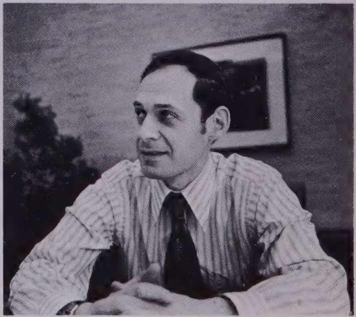

John F. Campbell, *President and Chief Executive Officer—Avis Transport of Canada Ltd., Age—45*


Wilfred R. Plugge, *Senior Vice President—Information Services, Age—49*


James H. Kruegel, *Senior Vice President and Controller, Age—50*


James F. Calvano, *Vice President and General Manager—Rent A Car U.S.A., Age—37*


I. A. Ortega, *Vice President and General Manager—Latin America Caribbean, Age—42*


David I. Schaffer, *Vice President and General Counsel, Age—38*

Avis, Inc.

Board of Directors

Richard E. Bennett
W. Richard Bingham
Alva T. Bonda
E. Peter Corcoran
Francis J. Dunleavy
Harold S. Geneen
Robert W. Haack
Lyman C. Hamilton, Jr.
John Hanway, II
William R. Hartman
Thomas W. Keesee, Jr.
James V. Lester
William W. Lyon
Colin M. Marshall
Winston V. Morrow, Jr.
Robert H. Smith
Herbert A. Steinke, Jr.
Maurice R. Valente

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Chairman and President

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Executive Vice President

Edgar J. Dame, Jr.
Senior Vice President

Richard J. Knight
Senior Vice President

James H. Kruegel
Senior Vice President and Controller

William C. McPike
Senior Vice President and Secretary

Wilfred R. Plugge
Senior Vice President

Joseph V. Vittoria
Senior Vice President

James F. Calvano
Vice President

Kenneth T. Nagle
Vice President and Treasurer

Peter Prestegaard
Vice President

David I. Schaffer
Vice President and General Counsel

J. Raymond Stepnowski
Vice President

Fred D. Pollard
Assistant Treasurer

Transfer Agent
Irving Trust Company
One Wall Street, New York, N.Y. 10005

Bank of America National Trust and Savings Association
World Headquarters, Bank of America Center
San Francisco, Calif. 94120

Registrar
Chemical Bank
55 Water Street, New York, N.Y. 10041

Security Pacific National Bank
One Embarcadero Center
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New York Stock Exchange
Pacific Coast Stock Exchange
(Ticker symbol: AVS)

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